

Message Text

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PAGE 01 KABUL 04717 100622Z
ACTION NEA-10

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C O N F I D E N T I A L KABUL 4717

STADIS////////////////////////////////

FOR NEA/PAB, LANDE FROM AMBASSADOR

E.O. 11652: GDS
TAGS: EAID, AF
SUBJ: GOVERNMENT OF AFGHANISTAN (GOA) REQUEST FOR PL-480
ASSISTANCE

REF: STATE 159317

1. APPRECIATE HAVING YOUR INITIAL COMMENTS ON AFGHAN
REQUEST AS WELL AS ASSURANCES YOU ARE PREPARED TO ENTER
THE LIST ON ITS BEHALF. WE ARE AWARE THAT THE GOING WILL
NOT BE EASY AND HAVE TAKEN EVERY OPPORTUNITY IN OUR
CONVERSATIONS WITH THE GOA TO DISABUSE THEM OF ANY ILLUSIONS
TO THE CONTRARY. WE HAVE ALSO STRESSED THAT OUR FINAL ANSWER
COULD BE NEGATIVE (ALTHOUGH I HOPE THAT IT WILL NOT BE).

2. FOLLOWING IS OUR ASSESSMENT OF QUESTIONS YOU POSED IN
PARA THREE OF REFTTEL.

A. SINCE TRANSPORT COSTS ARE SIGNIFICANT FACTOR FOR
LANDLOCKED AFGHANISTAN (OCEAN FREIGHT TO KARACHI WOULD RUN
DOLS 50-60 PER TON AND INLAND FREIGHT KARACHI-KABUL ANOTHER
DOLS 40-50 PER TON), THE FOB NEW YORK PROVISION WOULD
POSE A MAJOR PROBLEM FOR GOA. WE EXPECT, IN FACT,
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THAT GOA IS LIKELY TO ASK FOR PAK RUPEE FINANCING OF
INLAND FREIGHT, AS THEY HAVE DONE IN THE PAST, BECAUSE
HIGH TRANSPORT COSTS ARE SO ONEROUS.

B. PHASING SHIPMENT OVER LATE FY 1977 AND EARLY
FY 1978 WOULD GIVE US NO DIFFICULTIES AND MIGHT WELL
BE ADVANTAGEOUS, AS IT WOULD MITIGATE BOTH STORAGE

AND DISTRIBUTION PROBLEMS FOR THE GOA.

C. AN AGREEMENT COULD PROBABLY BE NEGOTIATED QUICKLY BUT NOT RPT NOT IF TERMS ARE SIGNIFICANTLY DIFFERENT FROM THOSE OF PAST AGREEMENTS, E.G. FOB NEW YORK, AND TWENTY VICE FORTY YEAR REPAYMENT PERIOD.

D. CHANGING TO A TWENTY-YEAR REPAYMENT SCHEDULE WOULD BE INADVISABLE. IT WOULD BE INTERPRETED BY THE GOA (CORRECTLY, IT SEEMS TO ME) AS A SIGNIFICANT EROSION OF THE CONCESSIONARY TERMS WE HAVE ALWAYS OFFERED FOR PL-480 TRANSFERS AND TO FLY IN THE FACE OF STATEMENTS BY OUR OWN ADMINISTRATION THAT WE WANT TO GIVE MORE, NOT LESS, ASSISTANCE TO THE LEAST DEVELOPED OF THE DEVELOPING COUNTRIES.

E. IF WE DO NOT PROVIDE WHEAT, THE AFGHANS ARE LIKELY TO TURN TO OTHER TRADITIONAL SUPPLIERS, CANADA, AUSTRALIA, AND THE SOVIET UNION. AS FAR AS WE KNOW, THE GOA HAS NOT RPT NOT YET APPROACHED ANYONE ELSE, ALTHOUGH MINISTER OF PLANNING KHURRAM HAS SAID THAT THE GOA WOULD BE LOOKING TO SEVZLAL SOURCES (KABUL 3999). WHO THESE "SOURCES" WILL BE WILL PROBABLY BE DEPENDENT PRIMARILY ON WHO HAS WHEAT SURPLUSES THIS YEAR. WASHINGTON IS BETTER ABLE TO JUDGE THAT POINT THAN WE ARE.
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F. THERE APPEARS TO US TO BE NO LINKAGE BETWEEN THE PROVISION OF FOOD AID AND THE SETTLEMENT OF TRADE DISPUTES AND IT WOULD BE A MISTAKE FOR US TO TRY TO CREATE SUCH LINKAGE.

2. USAID/A IS WORKING ON RESPONSE TO TECHNICAL QUESTIONS CONTAINED STATE 159393 WHICH WILL BE FORWARDED ASAP.
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